

§ 597.601

the legal defense fund during the reporting period. Such reports shall specify:

(A) The individual or entity from whom the funds originated and the amount of funds received; and

(B) Any individual or entity to whom any payments were made, including, if applicable:

(1) The names of any individuals or entities providing related services to the U.S. person receiving payment in connection with specified legal services, such as private investigators or expert witnesses;

(2) A general description of the services provided; and

(3) The amount of funds paid in connection with such services.

(ii) In the event that no transactions occur or no funds are received during the reporting period, a statement is to be filed to that effect.

(iii) Reports, which must reference this paragraph (b), are to be mailed to: Licensing Division, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Annex, Washington, DC 20220; and

NOTE TO PARAGRAPH (b)(5) OF § 597.513: U.S. persons who receive payments in connection with legal services specified in § 597.505 do not need to obtain specific authorization to make payments through a U.S. financial institution for related services that are ordinarily incident to the provision of those legal services, such as those provided by private investigators or expert witnesses.

(6) Nothing in this paragraph (b) authorizes the formation or debiting of legal defense funds in connection with the provision of legal services not specified in § 597.505.

NOTE 1 TO PARAGRAPH (b) OF § 597.513: Any payment authorized in or pursuant to this paragraph that is routed through the U.S. financial system should reference this paragraph (b) to avoid the blocking of the transfer.

NOTE 2 TO PARAGRAPH (b) OF § 597.513: Any funds remaining in a legal defense fund account after all payments of professional fees and reimbursement of incurred expenses authorized pursuant to this paragraph have been made or upon termination of the legal services for which payment is authorized pursuant to this paragraph are deemed to be funds of the foreign terrorist organization or agent thereof to or on whose behalf the legal services were rendered and subject to the prohibitions of this part. U.S. financial insti-

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tutions in the possession or control of such remaining funds may apply for the unblocking of the funds by following the procedures set forth at § 501.801 of this chapter.

[75 FR 75909, Dec. 7, 2010]

Subpart F—Reports

§ 597.601 Records and reports.

For provisions relating to records and reports, see subpart C of part 501 of this chapter; provided, however, that all of the powers afforded the Director pursuant to the first 3 sentences of § 501.602 of this chapter may also be exercised by the Attorney General in conducting administrative investigations pursuant to 18 U.S.C. 2339B(e); provided further, that the investigative authority of the Director pursuant to § 501.602 of this chapter shall be exercised in accordance with 18 U.S.C. 2339B(e); and provided further, that for purposes of this part no person other than a U.S. financial institution and its directors, officers, employees, and agents shall be required to maintain records or to file any reports or furnish any information under §§ 501.601, 501.602, or 501.603 of this chapter.

Subpart G—Penalties

§ 597.701 Penalties.

(a) Attention is directed to 18 U.S.C. 2339B(a)(1), as added by Public Law 104–132, 110 Stat. 1250–1253, section 303, which provides that whoever, within the United States or subject to the jurisdiction of the United States, knowingly provides material support or resources to a foreign terrorist organization, or attempts or conspires to do so, shall be fined under title 18, United States Code, or imprisoned for not more than 10 years, or both.

(b) Attention is directed to 18 U.S.C. 2339B(b), as added by Public Law 104–132, 110 Stat. 1250–1253, section 303, which, as adjusted pursuant to the Federal Civil Penalties Inflation Adjustment Act of 1990 (Pub. L. 101–410, as amended, 28 U.S.C. 2461 note), provides that, except as authorized by the Secretary of the Treasury, any financial institution that knowingly fails to retain possession of or maintain control over funds in which a foreign terrorist

organization or its agent has an interest, or to report the existence of such funds in accordance with these regulations, shall be subject to a civil penalty in an amount that is the greater of \$55,000 per violation, or twice the amount of which the financial institution was required to retain possession or control.

NOTE TO PARAGRAPH (b): The current \$55,000 civil penalty cap may be adjusted for inflation pursuant to the Federal Civil Penalties Inflation Adjustment Act of 1990.

(c) Attention is directed to 18 U.S.C. 1001, which provides that whoever, in any matter within the jurisdiction of the executive, legislative, or judicial branch of the Government of the United States, knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any materially false, fictitious or fraudulent statement or representation, or makes or uses any false writing or document knowing the same to contain any materially false, fictitious or fraudulent statement or entry, shall be fined under title 18, United States Code, or imprisoned not more than 5 years, or both.

(d) Conduct covered by this part may also be subject to relevant provisions of other applicable laws.

[62 FR 52495, Oct. 8, 1997, as amended at 68 FR 61361, Oct. 28, 2003]

§ 597.702 Prepenalty notice.

(a) *When required.* If the Director of the Office of Foreign Assets Control has reasonable cause to believe that there has occurred a violation of any provision of this part or a violation of the provisions of any license, ruling, regulation, order, direction or instruction issued by or pursuant to the direction or authorization of the Secretary of the Treasury pursuant to this part, and the Director, acting in coordination with the Attorney General, determines that civil penalty proceedings are warranted, the Director shall issue to the person concerned a notice of intent to impose a monetary penalty. The prepenalty notice shall be issued whether or not another agency has taken any action with respect to this matter.

(b) *Contents*—(1) *Facts of violation.* The prepenalty notice shall describe the violation, specify the laws and regulations allegedly violated, and state the amount of the proposed monetary penalty.

(2) *Right to respond.* The prepenalty notice also shall inform the respondent of respondent's right to respond within 30 days of mailing of the notice as to why a monetary penalty should not be imposed, or, if imposed, why it should be in a lesser amount than proposed.

§ 597.703 Response to prepenalty notice.

(a) *Time within which to respond.* The respondent shall have 30 days from the date of mailing of the prepenalty notice to respond in writing to the Director of the Office of Foreign Assets Control.

(b) *Form and contents of written response.* The written response need not be in any particular form, but shall contain information sufficient to indicate that it is in response to the prepenalty notice. It should respond to the allegations in the prepenalty notice and set forth the reasons why the respondent believes the penalty should not be imposed or, if imposed, why it should be in a lesser amount than proposed.

(c) *Informal settlement.* In addition or as an alternative to a written response to a prepenalty notice pursuant to this section, the respondent or respondent's representative may contact the Office of Foreign Assets Control as advised in the prepenalty notice to propose the settlement of allegations contained in the prepenalty notice and related matters. In the event of settlement at the prepenalty stage, the prepenalty notice will be withdrawn, the respondent is not required to take a written position on allegations contained in the prepenalty notice, and the Office of Foreign Assets Control will make no final determination as to whether a violation occurred. The amount accepted in settlement of allegations in a prepenalty notice may vary from the civil penalty that might finally be imposed in the event of a formal determination of violation. In the event no settlement is reached, the 30-day period specified in paragraph (a) of this